

# House File 592 - Introduced

HOUSE FILE 592

BY HEARTSILL

## A BILL FOR

1 An Act creating a homeownership development tax credit  
2 available for charitable contributions to certain  
3 low-income housing developers in this state, and including  
4 applicability provisions.

5 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

1     Section 1. NEW SECTION. 15E.152 **Short title.**

2     This division shall be known and may be cited as the  
3     *"Homeownership Development Tax Credit Act"*.

4     Sec. 2. NEW SECTION. 15E.153 **Purpose.**

5     The purpose of this division is to increase the availability  
6     of affordable housing in this state by encouraging taxpayers  
7     to make charitable contributions to certain nonprofit housing  
8     developers that create affordable single-family housing to be  
9     sold to low-income households in this state.

10    Sec. 3. NEW SECTION. 15E.154 **Definitions.**

11    As used in this division, unless the context otherwise  
12    requires:

13    1. *"Department"* means the department of revenue.

14    2. *"Eligible housing developer"* means an entity meeting the  
15    requirements of section 15E.155, subsection 2, and certified  
16    as an eligible housing developer by the authority pursuant to  
17    that section.

18    3. *"Eligible rural housing developer"* means an entity  
19    meeting the requirements of section 15E.155, subsection 3,  
20    and certified as an eligible rural housing developer by the  
21    authority pursuant to that section.

22    4. *"Low-income household"* means a household with income  
23    of eighty percent or less of the area median family income by  
24    county as determined by the United States department of housing  
25    and urban development.

26    Sec. 4. NEW SECTION. 15E.155 **Developer certification.**

27    1. *Application.* An organization may apply to the authority  
28    in the manner prescribed by the authority to be certified as  
29    an eligible housing developer or an eligible rural housing  
30    developer.

31    2. *Eligible housing developer.* In order to be certified as  
32    an eligible housing developer, an organization shall meet the  
33    requirements of paragraph "a" or "b":

34    a. (1) The organization is organized under chapter 504 and  
35    qualifying under section 501(c)(3) of the Internal Revenue Code

1 as an organization exempt from federal income tax under section  
2 501(a) of the Internal Revenue Code.

3 (2) The organization has, for a minimum of three years prior  
4 to the time of the application, been developing single-family  
5 housing in this state to be sold to low-income households.

6 (3) The bylaws, articles, or other document relating to the  
7 establishment of the organization provide that a purpose of the  
8 organization is to develop affordable housing in this state to  
9 be sold to low-income households.

10 (4) The organization agrees to provide to the authority  
11 information reasonably required by the authority in order to  
12 verify the receipt, donor identity, value, and eligibility for  
13 the tax credit of contributions received by the organization.

14 b. (1) The entity is an organization organized under  
15 chapter 504 and qualifying under section 501(c)(3) of the  
16 Internal Revenue Code as an organization exempt from federal  
17 income tax under section 501(a) of the Internal Revenue Code.

18 (2) A purpose of the organization is to serve or support  
19 an organization certified as an eligible housing developer  
20 pursuant to paragraph "a" of this subsection.

21 (3) The organization accepts contributions on behalf of  
22 an organization certified as an eligible housing developer  
23 pursuant to paragraph "a" of this subsection, and redistributes  
24 any and all such contributions to that organization.

25 (4) The organization agrees to provide to the authority  
26 information reasonably required by the authority in order to  
27 verify the receipt, donor identity, value, and eligibility for  
28 the tax credit of contributions received by the organization.

29 3. *Eligible rural housing developer.* In order to be  
30 certified as an eligible rural housing developer, an  
31 organization shall meet the requirements of paragraph "a" or  
32 "b":

33 a. The organization meets the requirements of subsection  
34 2, paragraph "a", and for the three years preceding the  
35 application, the organization has conducted at least fifty-one

1 percent of its housing development activities in Iowa counties  
2 with a population of fewer than fifty thousand as determined by  
3 the most recent federal decennial census.

4     *b.* (1) The organization is organized under chapter 504 and  
5 qualifying under section 501(c)(3) of the Internal Revenue Code  
6 as an organization exempt from federal income tax under section  
7 501(a) of the Internal Revenue Code.

8     (2) A purpose of the organization is to serve or support an  
9 organization certified as an eligible rural housing developer  
10 pursuant to paragraph "a" of this subsection.

11     (3) The organization accepts contributions on behalf of an  
12 organization certified as an eligible rural housing developer  
13 pursuant to paragraph "a" of this subsection, and redistributes  
14 any and all such contributions to that organization.

15     (4) The organization agrees to provide to the authority  
16 information reasonably required by the authority in order to  
17 verify the receipt, donor identity, value, and eligibility for  
18 the tax credit of contributions received by the organization.

19     4. *Length of certification and recertification.* Unless  
20 certification is revoked pursuant to subsection 5, a  
21 certification received pursuant to this section shall be valid  
22 for a period of three years, at which time the organization  
23 may apply to the authority in the manner prescribed by the  
24 authority to become recertified as an eligible housing  
25 developer or eligible rural housing developer pursuant to this  
26 section.

27     5. *Revocation of certification.* An organization shall  
28 notify the authority in a timely manner of any changes that  
29 affect the organization's ability to qualify as an eligible  
30 housing developer or eligible rural housing developer. The  
31 authority shall revoke the certification of an organization  
32 certified as an eligible housing developer or eligible rural  
33 housing developer if that organization subsequently fails to  
34 meet the requirements of subsection 2 or 3, as applicable.  
35 The revocation of a certification under this subsection shall

1 not prohibit an organization from subsequently applying to be  
2 certified as an eligible housing developer or eligible rural  
3 housing developer under this section.

4     Sec. 5. NEW SECTION. 15E.156 Tax credit application —  
5 maximum tax credits.

6     1. *Application.*

7     a. To receive a tax credit under section 15E.157, a taxpayer  
8 must submit an application in the manner and form prescribed  
9 by the authority on or after the date of the charitable  
10 contribution to the eligible housing developer or eligible  
11 rural housing developer for which a tax credit is sought. The  
12 eligible housing developer or eligible rural housing developer  
13 shall forward the application to the authority.

14     b. The authority shall issue tax credits and related tax  
15 credit certificates on a first-come, first-served basis in  
16 the order applications are received from eligible housing  
17 developers and eligible rural housing developers until the  
18 maximum amount of tax credits authorized pursuant to subsection  
19 2 is reached. If for a calendar year the maximum amount  
20 of tax credits applied for exceeds the amount specified in  
21 subsection 2, the authority shall establish a wait list for  
22 tax credits. Valid applications received but not approved  
23 by the authority shall be placed on a wait list in the order  
24 the applications were received by the authority and those  
25 applicants shall be given priority for receiving tax credits in  
26 succeeding calendar years. Placement on a wait list pursuant  
27 to this paragraph shall not constitute a promise binding the  
28 state. The availability of a tax credit and approval of a tax  
29 credit application pursuant to this section in a future year  
30 is contingent upon the availability of tax credits in that  
31 particular year.

32     2. *Maximum tax credit amounts.*

33     a. The aggregate amount of tax credits issued pursuant to  
34 this section shall not exceed a total of seven million dollars  
35 per calendar year.

1     *b.* Twenty percent of the aggregate amount of tax credits  
2 issued in a calendar year shall be reserved for charitable  
3 contributions to an eligible rural housing developer.

4     *c.* (1) Except as provided in subparagraph (2), the maximum  
5 amount of tax credits issued to any one taxpayer for charitable  
6 contributions in a tax year shall not exceed two hundred fifty  
7 thousand dollars.

8     (2) The maximum amount of tax credits issued to any one  
9 taxpayer for charitable contributions in a tax year shall  
10 not exceed three hundred thousand dollars if at least twenty  
11 percent of the taxpayer's total charitable contributions made  
12 during the tax year that are eligible for the tax credit in  
13 section 15E.157 are to one or more eligible rural housing  
14 developers.

15     Sec. 6. NEW SECTION. 15E.157 Homeownership development tax  
16 credit.

17     1. *a.* A tax credit shall be allowed against the taxes  
18 imposed in chapter 422, divisions II, III, and V, and in  
19 chapter 432, and against the moneys and credits tax imposed in  
20 section 533.329, equal to fifty percent of the amount of the  
21 voluntary cash or noncash charitable contributions made by a  
22 taxpayer during the tax year to an eligible housing developer  
23 or eligible rural housing developer.

24     *b.* The charitable contribution must equal or exceed five  
25 hundred dollars in order to qualify for the tax credit.  
26 However, an eligible housing developer or eligible rural  
27 housing developer may set a higher minimum qualifying amount  
28 pursuant to rules prescribed by the authority.

29     2. The tax credit shall be claimed for the tax year during  
30 which the taxpayer was issued the tax credit.

31     3. An individual may claim a tax credit under this section  
32 of a partnership, limited liability company, S corporation,  
33 estate, or trust electing to have income taxed directly to  
34 the individual. The amount claimed by the individual shall  
35 be based upon the pro rata share of the individual's earnings

1 from the partnership, limited liability company, S corporation,  
2 estate, or trust.

3 4. Any tax credit in excess of the taxpayer's tax liability  
4 for the tax year may be credited to the tax liability for the  
5 following five years or until depleted, whichever occurs first.  
6 A tax credit shall not be carried back to a tax year prior to  
7 the tax year in which the taxpayer claims the tax credit.

8 5. a. To claim a tax credit under this section, a taxpayer  
9 shall include one or more tax credit certificates with the  
10 taxpayer's tax return.

11 b. The tax credit certificate shall contain the taxpayer's  
12 name, address, tax identification number, the amount of the  
13 credit, and any other information required by the department.

14 c. The tax credit certificate, unless rescinded by the  
15 authority, shall be accepted by the department as payment for  
16 taxes imposed pursuant to chapter 422, divisions II, III, and  
17 V, and in chapter 432, and against the moneys and credits  
18 tax imposed in section 533.329, subject to any conditions or  
19 restrictions placed by the authority upon the face of the tax  
20 credit certificate and subject to the limitations of this  
21 chapter.

22 d. Tax credit certificates issued pursuant to this division  
23 shall not be transferred to any other person.

24 6. The amount of the charitable contribution for which the  
25 tax credit is claimed shall not be deductible in determining  
26 taxable income for state income tax purposes.

27 Sec. 7. NEW SECTION. 15E.158 Reports to general assembly.

28 The authority shall publish an annual report of the  
29 activities conducted pursuant to this division and shall submit  
30 the report to the governor and the general assembly. The  
31 report shall include a listing of certified eligible housing  
32 developers and certified eligible rural housing developers, the  
33 number of tax credit certificates and the amount of tax credits  
34 issued by the authority, and the number of taxpayers and the  
35 amount of tax applications on the tax credit wait list, if any.

1     Sec. 8. NEW SECTION.   15E.159   Rules.

2     The authority and the department shall each adopt rules  
3 pursuant to chapter 17A as necessary for the implementation of  
4 this division.

5     Sec. 9. APPLICABILITY. This Act applies to tax years  
6 beginning on or after January 1, 2018.

7     Sec. 10. APPLICABILITY. This Act applies to charitable  
8 contributions to eligible housing developers and eligible rural  
9 housing developers made on or after January 1, 2018.

10                                   EXPLANATION

11                   The inclusion of this explanation does not constitute agreement with  
12                   the explanation's substance by the members of the general assembly.

13     This bill creates a homeownership development tax credit  
14 that will be administered by the economic development authority  
15 (EDA) and that will provide tax credits to taxpayers who make  
16 charitable contributions to eligible housing developers or  
17 eligible rural housing developers in this state.

18     An "eligible housing developer" is defined in the bill to  
19 include an Iowa nonprofit, tax-exempt organization that has  
20 been developing single-family housing for at least three years  
21 in this state to be sold to low-income households, as defined  
22 in the bill, that includes the development of such housing in  
23 this state for low-income households as a purpose in its bylaws  
24 or other organizational documents, and that agrees to provide  
25 EDA with certain information in order to properly verify  
26 charitable contributions. An "eligible housing developer"  
27 also includes an Iowa nonprofit, tax-exempt organization whose  
28 purpose is to support an organization described above and who  
29 redistributes any charitable contributions received on behalf  
30 of that eligible housing developer to the developer.

31     An "eligible rural housing developer" is defined in the  
32 bill to include an Iowa nonprofit, tax-exempt organization  
33 that meets the requirements of an eligible housing developer  
34 described above but that additionally has conducted for the  
35 last three years at least 51 percent of its housing development



1 activities in Iowa counties with a population of fewer than  
2 50,000 as determined by the most recent federal decennial  
3 census.

4 An organization must apply to EDA to be certified as an  
5 eligible housing developer or an eligible rural housing  
6 developer. A certification by EDA will last for a period of  
7 three years, at which time an eligible housing developer or  
8 eligible rural housing developer may apply to be recertified.  
9 Failure to meet the requirements specified above may cause the  
10 organization to lose its certification as an eligible housing  
11 developer or eligible rural housing developer, but the loss  
12 of such certification does not prohibit an organization from  
13 subsequently reapplying to EDA for certification.

14 In order to receive a tax credit for a charitable  
15 contribution to an eligible housing developer or eligible rural  
16 housing developer, a taxpayer is required to apply to the  
17 developer in the manner and form prescribed by EDA on or after  
18 the date the charitable contribution is made. The developer is  
19 then required to forward the application to EDA.

20 The tax credit equals 50 percent of the amount of the cash or  
21 noncash charitable contribution made to the eligible housing  
22 developer or eligible rural housing developer during the tax  
23 year. The minimum amount of charitable contribution that may  
24 qualify for the tax credit is \$500, but each eligible housing  
25 developer or eligible rural housing developer is allowed to  
26 set a higher minimum contribution amount. The bill provides  
27 that EDA shall not issue more than \$7 million in tax credits  
28 per calendar year. Of that \$7 million maximum aggregate  
29 amount, 20 percent (\$1.4 million) of the tax credits shall  
30 be reserved for charitable contributions to eligible rural  
31 housing developers. The maximum amount of tax credits that  
32 may be issued per taxpayer for charitable contributions in a  
33 tax year is \$250,000, or \$300,000 if at least 20 percent of  
34 the taxpayer's total charitable contributions to the eligible  
35 housing development organizations during the tax year were to

1 one or more eligible rural housing developers.

2 The tax credit may be claimed against the individual income  
3 tax, the corporate income tax, the franchise tax, the insurance  
4 companies tax, and the moneys and credits tax. To claim a tax  
5 credit, a taxpayer must include a tax credit certificate with  
6 the taxpayer's tax return. The tax credit is nonrefundable  
7 and nontransferable, but any excess may be carried forward for  
8 five tax years. The amount of the charitable contribution for  
9 which the tax credit is claimed shall not be deductible in  
10 determining taxable income for state tax purposes.

11 EDA is required to issue tax credits on a first-come,  
12 first-served basis until the maximum amount of \$7 million  
13 per calendar year is reached. If the amount of tax credit  
14 applications exceeds \$7 million in a calendar year, EDA  
15 is required to establish a wait list and give priority in  
16 subsequent years to applications on the wait list.

17 The bill requires EDA and the department of revenue to  
18 adopt rules as necessary for the implementation of the bill,  
19 and requires EDA to publish and submit annual reports to  
20 the governor and general assembly containing information as  
21 described in the bill.

22 The bill applies to tax years beginning on or after January  
23 1, 2018, and to charitable contributions to eligible housing  
24 developers and eligible rural housing developers on or after  
25 that date.